

THE FUTURE OF FOREIGN ASSISTANCE:  
A SUMMARY OF ISSUES AND ANNOTATED BIBLIOGRAPHY

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This paper abstracts 50 recent documents on the future of foreign assistance and summarizes the major issues raised for development managers in Washington and the field.

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## 1. SUMMARY OF ISSUES

### 1.1 Introduction

During the past two years, a growing literature has emerged on the future of foreign assistance. This has reflected the work of a diverse range of analysts, interest groups, Congressional offices, and Executive agencies examining the changing nature of development problems, the appropriateness of development assistance strategies, and the need for new foreign assistance legislation and organization. Last fall, A.I.D.'s Bureau for Program and Policy Coordination (PPC) created a "Clearinghouse Taskforce" to coordinate information on all of these efforts. This Task Force, in turn, asked the Center for Development Information and Evaluation (CDIE) to begin identifying, summarizing, and synthesizing key "future of foreign assistance" documents for dissemination throughout the Agency.

This annotated bibliography is CDIE's first "future of foreign assistance clearinghouse" product. It summarizes 50 recent documents, including major reports prepared by the A.I.D. Administrator, the House Foreign Affairs Committee, and other key agencies and interest groups. It also briefly analyses the issues raised in these documents, areas of agreement and disagreement, and implications for A.I.D. It is intended to provide a concise summary of major "future of foreign assistance" issues for A.I.D. managers. Complete sets of documents are available for reference at the CDIE Information Center, Room 3659, New State, (202) 647-7923 and the A.I.D. Library, Room 105, SA-18, (703) 875-4818. A.I.D. officers can also obtain copies of most documents (those identified by "PN" or "CDIE" numbers) through the Document Information Handling Facility, 7222 47th Street, Chevy Chase, Maryland 20815, (301) 951-9647. However, published reports should be obtained directly from commercial sources.

The limited set of documents included in this initial bibliography were selected based on recommendations from PPC managers and Task Force members. CDIE welcomes readers' comments and, particularly, readers' help in identifying additional documents and sources for future inclusion. If demand is sufficient, CDIE expects to update the bibliography periodically, as new information warrants.

### 1.2 Overview

A broad consensus is emerging that U.S. foreign assistance needs rethinking. Reports from Congress, A.I.D., outside interest groups, and academic researchers all agree that current foreign foreign assistance programs are inadequate and that new approaches -- and new foreign assistance legislation -- are necessary.

This consensus rests on a common recognition of key foreign assistance problems. Most reports observed similar, dramatic

changes in the developing world over the last 30 years, and most agreed that foreign assistance programs have not yet fully responded to these changes. Most of the reports also identified similar internal problems that U.S. foreign assistance programs had to overcome.

### 1.3 Developing Country Trends

The reports generally agreed that:

- Developing countries are becoming increasingly diverse; that while some countries are stagnating or declining, others have achieved remarkable progress; and that different assistance strategies are appropriate to these differing circumstances;
- Economic interdependence is increasing, and that economic collaboration and trade are far more important than economic dependence and foreign aid;
- Official foreign assistance is relatively insignificant compared to other economic relationships between developed and developing countries;
- Development is necessarily a long-term process, and that sustained, self-generating, economic growth is essential for long-term improvements in human welfare;
- Many specific development projects, while useful in the short-term, have more limited long-term impact than policy and institutional changes;
- Many development issues transcend national borders, particularly critical new problems of debt, disease, environmental degradation, and drugs; and
- Markets are generally much more effective than central government planning at allocating development resources.

### 1.4 Foreign Assistance Problems

The reports also shared common perceptions of many of the internal strategic and operational issues that foreign assistance programs face, including:

- An obsolete Foreign Assistance Act, encumbered with 25 years of accretions, "barnacles," and "earmarks," encompassing far too many, often contradictory, objectives;
- An ambiguous mixing of military, political, humanitarian, and development goals;
- A weak foreign assistance constituency, encompassing

too many small interest groups with often conflicting goals and agendas;

- Too much emphasis on program processes (planning, designing, implementing, reporting, and accounting); and too little emphasis on development results;
- Too much monitoring of "inputs and outputs" and too little evaluation of the impact of assistance on development performance;
- Too much emphasis on short-term project performance and too little on creating sustainable economic and employment growth;
- Too little program flexibility and too much Congressional micromanagement--a need for multi-year funding, no-year funding, and the elimination of most earmarks and functional accounts;
- Too much reliance on public sector planning and interventions; too little emphasis on private sector roles, market allocations, and political and economic liberalization;
- Declining relative size of U.S. foreign assistance
  - both in relation to developing world economies and to contributions from other multilateral and bilateral donors, such as the World Bank and Japan; and
- Too little coordination among U.S. assistance agencies and among international donors.

### 1.5 Continuing Differences

Despite their commonalities, the reports also contain important differences, particularly regarding solutions to organizational problems, emphasis on different foreign assistance strategies, and priorities for different development problems. The reports differed, for example, on:

- Whether emphasis should be placed on poverty alleviation or economic growth;
- Whether the social costs of structural adjustment are necessary and unavoidable, whether foreign assistance programs should actively seek to minimize those costs, or whether foreign assistance programs should emphasize economic improvements for the poor;
- What the appropriate roles for public and private institutions should be at different stages in the development process;
- Whether a revamped foreign assistance program should be

organized in a single new assistance agency or several new development foundations, whether to focus on fewer substantive problems and fewer countries, whether to emphasize project or non-project assistance, etc.;

- Whether the strategic role (and comparative advantage) of a new foreign assistance agency would lie in being a resource of last resort for the severest poverty cases, a funder of specific development projects, a pioneer and innovator, an institutional developer, an economic collaborator, an intellectual resource, or some combination of the above;
- Whether a new foreign assistance program should focus on health, education, population, agriculture, policy reform, micro-enterprise, urbanization, or other substantive areas (reflecting intellectual, ideological, and constituency interests); and
- Whether foreign assistance programs should concentrate on countries with the highest growth potential, the greatest security significance, the strongest U.S. economic interest, or the severest poverty problems.

## ANNOTATED BIBLIOGRAPHY

The following annotated bibliography is organized in three major sections. The first section, "The Future of Development Assistance," includes documents focusing primarily on the future of foreign assistance programs, organizations, and legislation. The second section, "Development Issues and Trends," includes documents that are primarily concerned with the changing conditions in developing countries that these foreign assistance programs must address. The final section, "Sector-Specific Issues," focuses on particular substantive areas, and includes sub-sections on agriculture and rural development, social services, and technology transfer. Within each section, documents have been arranged alphabetically, by author, with each summary presented on a separate page.

## SECTION I

### THE FUTURE OF DEVELOPMENT ASSISTANCE

1. 100th Congress, 2nd Session, H.R. 4277  
1988 "Global Poverty Reduction Act." A Bill introduced in the House of Representatives and referred to the Committee on Foreign Affairs; March 29, 1988. (8 pp) (PC-AAA-111)

This bill would require that the President develop a plan "to ensure that U.S. development assistance contributes measurably to eradicating the worst aspects of absolute poverty by the year 2000." This plan would "include specific measurable goals and target dates for reaching them." The attainment of

these goals would contribute to increasing opportunities for the poor and improving the living standards of the poorest 40 percent of the population. Three broad goals are specifically listed: reducing child mortality rates, improving female literacy rates, and reducing absolute poverty levels. The bill would require the use of social indicators (such as percentage of population in poverty), rather than economic indicators (such as per capita GNP), as the primary measures of development progress.

U.S. development assistance carried out under the plan should also be consistent with maintaining and restoring the renewable natural resource base. As Section 3(d) of the Act states

Primary emphasis should be on small-scale, affordable, resource-conserving, low-risk local projects, using appropriate technologies (including traditional agricultural methods) suited to local environmental, resource, and climatic conditions, and featuring close consultation with and involvement of local people at all stages of project design and implementation. (p. 6)

Section 3(f) further emphasizes that "activities carried out under the plan...shall be designed in consultation with the intended beneficiaries. (p. 7)

The copy of the bill from which this annotation was prepared had several items attached, including related correspondence and newspaper articles.

## 2. Agency for International Development 1988 "An Investment in Global Growth: The Administrator's Statement for the Fiscal Year 1989 Congressional Presentation" (20 pp) (PN-AAB-080)

The Administrator's statement summarizes A.I.D.'s current assessment of development problems and strategies for addressing them. The paper notes that many developing nations continue to fail economically, that economic growth is essential for lasting improvements in human welfare, and that stimulating economic growth should be our fundamental emphasis. In the Administrator's view, the economic success of some developing countries clearly demonstrates that market-oriented economics and open trade are the keys to prosperity.

The paper argues that despite 40 years of development assistance, life for most people in most developing countries has improved little. In many countries poverty remains a nearly universal condition. Even in those middle-income countries where life has been improving in relative terms, there has been less progress than hoped or expected. Why have some countries succeeded, while others have failed? How can economic assistance better contribute to increased prosperity?

According to the report, economic growth -- increases in the production of goods and services and gains in real income -- are unambiguously linked to social progress. In countries where economic growth has been rapid and broadly based, family income, food availability, life expectancy, and other measures of development have registered impressive gains, and life is getting better -- for the poor, as well as for those who are somewhat better off. Such growth and development is clearly associated with market-oriented economies and relatively open trade.

In contrast, non-market-oriented countries continue to have difficulties. While targeted development assistance has sometimes helped -- stabilizing economies, preventing deterioration, and enhancing life expectancy and child survival, these gains are inadequate and, in stagnating economies, unsustainable. "We are convinced that the most important assistance we can provide to people in developing countries is assistance that helps them to stimulate economic growth." To be effective, this assistance must address an entire economic system, it must encourage market-oriented policies, it must develop private as well as public capacity, and it must flexibly respond to each country's unique circumstances.

The Administrator realizes that the process of economic development is both difficult and uncertain, and that "the path to success will be dotted with failures." But, while "the challenge, for the developing countries and for us, is a great one," "we must ask the hard questions -- and face the challenge head-on." For, "if we do not, who will?"

### 3. Bissell, Richard E.

1989 "Back to the Drafting Table: Has AID Outgrown the Foreign Assistance Act -- Again" Foreign Service Journal, February 1989; pp. 34-38. (5 pp) (PN-AAB-844)

This article summarizes the weaknesses of current foreign assistance legislation, the new realities which U.S. foreign assistance faces, and the real problems that a new foreign assistance act must resolve. It calls for a new Foreign Assistance Act as the "first and most important step" in revitalizing U.S. development efforts.

The article argues that the much amended Foreign Assistance Act of 1961 has become a major impediment to U.S. development efforts. New legislation has been repeatedly grafted onto the old, but old priorities were never replaced, and the development mandate has been further and further diluted. Continuing distrust between Congress and the Executive resulted in increased demands for accountability and wave after wave of "legislative barnacles." "The effect on A.I.D. professionals was particularly pernicious. A premium was placed on not getting into trouble ... And the focus became obligating the annual funding, rather than achieving development goals."

Meanwhile, the environment for U.S. foreign assistance has changed dramatically: (1) the world has grown more interdependent,

international trade has grown enormously, and international economic issues have become important domestic policy concerns; (2) the U.S., facing a serious budget deficit and a growing squeeze on foreign aid, provides a declining share of worldwide development assistance; (3) the relationship between the U.S. and developing countries is no longer primarily one of aid -- trade, finance, and investment have become far more significant; and (4) developing countries have themselves become more diverse -- some are sustaining growth, while others are moving backwards. At the same time, U.S. development assistance has also changed: grants have replaced loans, macroeconomic issues and policy reform have become paramount, and donor coordination has expanded dramatically.

There is substantial agreement between Congress and the Executive, and in both political parties, on the problems with existing foreign assistance legislation: (1) functional accounts retain little of their original meaning and provide few benefits, and many impediments, to effective program management and account ability; (2) geographic earmarks create enormous political tensions; (3) the multi-year character of development planning must be reflected in program authorizations and appropriations; (4) more effective ways for assessing and communicating the impact of U.S. foreign assistance are needed; (5) overall goals must be clarified and specific country program objectives must be better delineated -- we can no longer pretend to do everything, everywhere; and (6) the U.S. Agencies involved in development must better coordinate their efforts.

#### 4. Britan, Gerald M.

1987 "Strategies for Development: Lessons from A.I.D.'s First 25 Years," CDIE Working Paper, August, 1987. (98 pp, references, tables) (PN-AAB-846)

This paper briefly reviews the history of A.I.D., its changing development goals, and its success in achieving these goals over the past 25 years. The issues of economic growth; hunger, disease and early death; illiteracy and lack of education; and unmanageable population receive primary attention.

The second part of the paper focuses on the evolution of A.I.D.'s development strategy. Central to A.I.D.'s development strategy over time are the interrelated themes of economic growth and poverty alleviation. However the emphasis on each of these themes, and A.I.D.'s understanding of how they are interrelated, has shifted in response to changing development theories, growing experience, and external pressures. From 1961-1972, the emphasis was on building infrastructure for growth. By 1973, Congress mandated "New Directions" aimed at ensuring that economic growth met the basic human needs of the developing world's poor majority. By the 1980's, A.I.D. began focusing on the policy and institutional structures necessary to sustain broadly-based growth over the long term.

The evolution of A.I.D.'s development strategies reflects not only increased experience and knowledge, but also underlying



tensions between development objectives and other non-developmental factors. Such issues as how to balance growth with equity; how to enlarge public support for foreign assistance beyond humanitarian concerns; and how to implement more effective projects and programs in the face of a multiplicity of U.S. constituencies, lobbyists, and foreign policy interests are addressed. A.I.D. has also had to adapt its strategies to the enormous changes that have occurred in the developing world, such as the growth of the public sector, the proliferation of donors, increasing levels of foreign debt, and changing social and cultural contexts.

The paper ends with a review of some of the major lessons that A.I.D. has learned from 25 years of development experience. The author concludes that the final and enduring challenge for the Agency is to continue learning from this experience and improving its development practice. This requires a system to "capture the findings of experience," in a form usable by both program designers and policymakers, and in a manner that is easily accessible and available. Such a system is an essential part of the technology of development, and is key to improving productivity and economic achievement.

5. Development Assistance Committee  
1988 "Aid in the Nineties: A Review of Problems and Perspectives,"  
Note by the DAC Secretariat. (5 pp) (CDIE-OP-20-01)

This review is intended to provide a strategic basis for drafting a United Nations Development Strategy for the Nineties and for clarifying DAC priorities for the medium-term. The review first outlines longer-term development trends and new development issues emerging in the 1990's. Heavy debt burdens, for example, are expected to continue to mortgage development prospects of many developing countries, and aid donors will have to play a major role in helping these countries adopt more effective policies. Other fundamental development challenges, such as population growth and natural resource deterioration, will also remain important, as will the need to reduce poverty and enhance employment, education, health, and nutrition. The concept of "sustainable development" will become even more critical in the 1990s, and industrialized nations will be required to set an example for LDCs.

The review proceeds by assessing regional development differences, covering East and South Asia (the area of greatest development success); other ASEAN countries; China and India (where population, poverty, and economic efficiency are key); Latin America (where political, institutional, and drug-related problems are intense); the Middle-East (where falling oil prices and internal conflicts impede progress); North Africa (which faces a need for extensive policy reform); Sub-Saharan Africa (still plagued by tribal rivalries and instability); and the small island nations and territories of the Pacific Region (with limited resources and small populations).

The review concludes by suggesting a conceptual framework

for development cooperation, including effective OECD policies to increase export earnings and reduce the cost of external capital; a detailed definition of "sustainable development;" an anti-poverty strategy (facing the realization that low levels of productivity and severe financial constraints will persist for several years); and new aid priorities (reducing unsustainable population growth, maintaining natural resources, enhancing sustainability, increasing participation, expanding the productive private sector, improving education, enhancing the role of women, and building more viable economies.)

These priorities will be difficult to implement, given the small percent of aid directed at them in the past. Developing countries must be convinced of their importance and DAC Members must be convinced that they have a critical role to play. New forms of aid, emphasizing policy-linked, quick-disbursing, non-project assistance must be developed. And decisions must finally be made regarding the evolving role of the multilateral aid system, the financial commitments of donors, geographic priorities, cooperation with middle-income countries, and cooperation with other donors.

6. Goodpaster, Andrew J. and George M. Seignious II  
1987 "U.S. International Leadership for the 21st Century: Building a National Foreign Affairs Constituency." Joint Working Group of the Atlantic Council of the U.S. and the Citizens Network for Foreign Affairs, Washington, D.C., January 1987. (19 pp) (CDIE-OP-20-03)

This report argues that for the last 25 years the U.S. has consistently underinvested in resources devoted to its diplomatic economic, and cultural relations with the rest of the world. The likelihood of further resource reductions under the Gramm-Rudman-Hollings legislation, has therefore lent considerable urgency to the case for corrective action. The increasing dependence of the U.S. on the rest of the world, especially for trade and commerce, necessitates the development of a more stable and cooperative world system.

For the U.S. to resume its leadership role in a world of growing interdependence and to invest more adequately in foreign affairs, the country must reestablish a national bipartisan consensus on foreign policy. A reeducation of Americans on the benefits of foreign aid is essential, given the perception of such aid as a "stepchild of U.S. policy" and as "money down a rat hole." Developing a foreign affairs constituency means establishing a program of direct political action which will influence foreign aid legislation. What is currently missing is any evidence of increasing public support, primarily because the public does not see any economic payoff from foreign aid. Several studies (most notably the Carlucci Commission and Murden reports) have recommended formation of a "citizens network" to support the foreign assistance program and stimulate greater support in Congress. However, attempts to date -- such as the New Directions public-interest lobby -- have met with limited or no success.

A "foreign affairs foundation" is one institutional arrangement that could selectively apply government funds to extend the reach and heighten the impact both of non-governmental activities overseas and of international educational programs at home. A feasibility study is recommended to determine whether such a foundation could fill a useful and distinctive role in U.S. international relations.

7. Hamilton, Lee

1988 "Remarks of the Honorable Lee Hamilton on the Activity of the Foreign Affairs Committee Task Force on Foreign Assistance;" September 14, 1988 speech. (19 pgs) (PN-ABB-904)

This speech outlines the origins and purpose of the House Task Force's review of U.S. Foreign Assistance and summarizes the principal issues being addressed.

The Task Force was created in response to: (1) a growing recognition that foreign assistance "is not working;" (2) the realization that financial resources are increasingly constrained and we must "do more with less;" (3) concern over shifting funding priorities favoring military over development assistance; (4) a feeling that the time was appropriate for a reassessment; and (5) a sense that foreign assistance would have to adapt to significant changes--the relative decline of the U.S. as a donor, the growing internationalization of traditionally national problems, the dramatic progress of many third world countries, the increasing importance of international trade, and the lessening of superpower tensions.

The Task Force Review intended to identify and assess major problems in U.S. foreign assistance programs, define more precisely foreign assistance objectives, and strengthen programs that enhance U.S. national interests. While the Task Force had not yet reached final conclusions, it had identified key issues:

- What are appropriate foreign assistance objectives?  
Current objectives, while worthy, are too numerous to provide meaningful direction or be effectively implemented.
- How can accountability be improved? A.I.D. spends too much time planning and justifying projects and too little time implementing projects and assessing their impact.
- What is the underlying cause of the accountability dilemma, the lack of trust and confidence between Congress, the Executive Branch, and the private sector?
- What is the appropriate number of recipients?
- Can decisionmaking be improved through better coordination among U.S. agencies and international donors?
- Should programs with advanced developing countries that no longer require concessional assistance be continued,

and, if so, in what form?

-- Should assistance be tied to successful policy dialogue and reform by recipients?

-- How should we deal with security assistance problems?

8. Hellinger, Stephen, Douglas Hellinger, and Fred M. O'Regan  
1988 Aid for Just Development: Report on the Future of Foreign Assistance. The Development Group for Alternative Policies. Boulder: Lynne Rienner Publishers. (232 pp)

This book analyses the structures and characteristics of aid organizations to demonstrate why most aid fails to promote equitable, locally defined, self-sustaining development and suggests how U.S. assistance could be reorganized to better promote such development processes. The authors note that "neither the traditional liberal approach of channeling large amounts of funds through Third World government bureaucracies nor the present conservative policy of maximizing the aid spent on the commercial private sector is effective," and that "far more often than not these approaches have exacerbated, rather than helped resolve, development problems."

Conventional foreign aid strategies fail largely because they do not correspond to local realities. Development is seen primarily as a process of local institutional change, but donors usually bypass local institutions, and sometimes unwittingly undermine them. Development projects rarely reinforce or expand local institutional capacity, but instead channel aid through "modern institutional infrastructures" that have little relationship to local institutions.

The report suggests that U.S. assistance would be more effective if more emphasis were on funding appropriate local institutions that have demonstrated their ability to promote equitable development. This will often mean channeling funds to nongovernmental institutions or using funds to strengthen such institutions where they are weak. As long as people's organizations remain marginalized, foreign assistance will continue to have only marginal relevance to the needs of the poor. Local populations, and especially the poor, must be involved in determining the nature of the programs and projects from which they are expected to benefit.

Chapter 2 explains how and why these problems have gone largely untreated by the foreign aid community. Chapter 3 delineates the appropriate role of foreign aid in development. Chapter 4 assesses the shortcomings of A.I.D. and presents detailed proposals for internal and external restructuring. Chapter 5 examines two existing regional development foundations as potential models for a restructured and reoriented foreign assistance program. Chapter 6 considers how the performance, independence, and significance of the U.S. PVO community can be enhanced. Chapter 7 examines the shortcomings of the World Bank and suggests how the Bank can be made more relevant to the

marginalized populations of the Third World. Chapter 8 considers how all of these institutions could be integrated in a new structure designed to promote more cost-effective, relevant, and self-sustaining development throughout the Third World.

9. Horowitz, Michael M.  
1988 "For a More Cost-Effective Foreign-Aid Program," IDA  
Network Bulletin, 6(2)(Fall):1-3. (4 pp) (CDIE-OP-20-05)

This article examines how the new administration can formulate a program of economic aid to poor countries that does a better job with no more, or perhaps even less, money. Large-scale, capital-intensive programs and projects, traditionally supported by development-funding institutions, tend to be expensive, require long-term expatriate technical expertise, and involve elaborate top-down administration. They are often resisted by local people and rarely work. An effective development assistance strategy would enhance small-scale, local production systems rather than seeking to replace them by large, capital-intensive projects. Further, an approach that seeks to increase income and production under smallholder control is more likely to achieve environmentally sustainable socioeconomic development and be less costly than a large-scale, capital-intensive approach. The paper argues that "just as national security is not enhanced by blindly throwing money at weapons, economic development is not achieved by throwing money at A.I.D. or the World Bank unless those funds are guided by a policy derived from clear understandings of the realities of Third World economics and ecology."

The paper notes that "there is increasing recognition that "the engine for economic growth is the spending power of millions of rural smallholders, whose increased consumption generates off-farm employment and small-scale enterprises and reinforces healthy rural-urban linkages and regional development." An approach based on "bottom-up" planning is not only less costly but also environmentally sounder. The most cost-efficient and enduring means to ensure sustainability is "to predicate interventions on improving the viability of production systems that remain under smallholder management."

A new foreign-aid program would distance foreign aid from East-West struggles, stressing development assistance rather than "economic support funds" and military transfers, with an emphasis on poorer rather than middle-income countries. Further, aid must contribute to social justice and human rights, and meaningfully deal with debt and adjustment, without asking the already desperately poor to assume the costs of declining employment, rising prices, increased infant and child mortality, and deteriorating health care. A new aid agenda would explore cooperation as well as competition with communist and nonaligned nations; also, it would include programs that face regional and global environmental and resource abuse, favoring "scientific considerations of population growth and control." Lastly, a new agenda "would critically review policies and procedures in the State Department, in A.I.D., and in those offices in the Departments of Treasury and Agriculture involved in foreign aid,

and assure that officials administering the programs have the professional competence for the task."

10. House Foreign Affairs Committee

1989 Report of the Task Force on Foreign Assistance to the Committee on Foreign Affairs U.S. House of Representatives. (Hamilton Task Force Report); U.S. Government Printing Office: Washington, D.C. (2/89). (43 pg) (PN-ABB-596)

In 1988, the House Foreign Affairs Committee established a Task Force, chaired by Reps. Hamilton and Gilman, to review U.S. foreign assistance activities and legislation. The Task Force Report, released in February 1989, recommended major changes to refocus development assistance on fewer, but clearer objectives, enhance program flexibility, and reorient program management towards the achievement of development results.

The task force concluded that foreign assistance was vital to promoting U.S. foreign policy and domestic interests, but was hamstrung by conflicting objectives, legislative conditions, earmarks, and bureaucratic red tape. The task force recommended that U.S. economic assistance programs be revamped by:

- enacting a new international cooperation act to replace the existing Foreign Assistance Act;
- creating a restructured foreign aid implementing agency to replace A.I.D.;
- identifying four principal foreign assistance objectives (economic growth, environmental sustainability, poverty alleviation, and democratic and economic pluralism);
- providing greater flexibility in the implementation of assistance programs (by providing "no year" funding, eliminating functional accounts, eliminating most earmarks, and eliminating many review and reporting requirements);
- providing more effective accountability focused on development results (through performance-oriented country and program evaluations);
- improving coordination with other U.S. international policies, with other donors, and within country programs.

For Security Assistance, the task force recommended that the Committee consider separating grant and concessional military assistance from cash sales authorities; creating a new defense trade and export control act; establishing one military assistance account; providing more effective accountability, again focused on results; and phasing out over a five year period the use of military assistance as a quid pro quo for base access rights.

11. Lewis, John P. and Contributors.  
1988 Strengthening The Poor: What Have We Learned? Overseas  
Development Council. New Brunswick, NJ: 1988 (220 pp.)

This book examines experience in poverty alleviation, an issue that is returning to the top of the development policy agenda. Although poverty issues have always been important, after the second oil shock in 1979 economic adjustment became a more immediate concern. However, much has been accomplished since the last anti-poverty policy thrust in the 1970s, including a decrease in the percentage (if not absolute numbers) of poor in some countries; a more vocal role for the poor in some countries; and the organization of the poor as a lobbying force. Also, a good deal of policy experience has been gained and important lessons learned.

Experience implementing the "reformist, anti-poverty doctrine" of the 1970s was a "mixed bag." The driving impulse of the (then) new approach was to do good things for the poor, and to do them directly -- not only through trickle-down from macro-development. Lessons from the 1970s mainly concern the problematic features of anti-poverty projects, the tradeoffs between productivity versus subsidies, center versus periphery, and spatial versus sectoral strategies.

The 1980s' experience in structural adjustment also provides important lessons for poverty alleviation efforts:

- The increase in non-project and policy-based aid, probably is here to stay.
- Efforts to help the poor directly should not monopolize development assistance.
- Given the harsh impact of 1980's-style adjustment on the poorest people, cushioning and supplements are necessary.
- Policy leverage can directly serve anti-poverty goals.

The most salient lessons from both these eras are that the supposed clash between the centralized and grassroots anti-poverty strategies is specious; that development assistance that still has a major role to play in strengthening the poor; and that pro-poor reform can be politically feasible in non-revolutionary contexts.

(Contributors include Norman Uphoff, Samuel Paul, Uma Lele, Mohiuddin Alamgir, Sartaj Aziz, Nurul Islam, Sheldon Annis, Mayra Buvinic, Margaret A. Lycette, Richard Jolly, Thomas W. Dichter, S. Guhan, and Joseph C. Wheeler.)

12. Lyman, Princeton N. (U.S. Ambassador to Nigeria)

1988 "Beyond AID: Alternative Modes of Cooperation." Prepared for Symposium on "Cooperation for International Development, U.S. Policies and Programs for the 1990s" (28 pp) (PC-AAA-112)

Efforts to reform A.I.D.'s development approach over the past 30 years have foundered on institutional rigidity and the defense of bureaucratic and professional stakes in the status quo. Not only in the bureaucracy, but in Congress, academia, and the PVOs, the "preservation of the aid" mentality has been an important element in the struggle to control policy towards the developing world. In the 1990s, however, this "status-quo" approach will be far less relevant. Few LDCs of significance to the U.S. will be large recipients of bilateral aid and those that receive large allocations will continue to do so more for security than developmental reasons. At the same time, trade issues will become increasingly important and debt will continue to overshadow other developmental concerns -- making aid less central to the fundamental economic decisions of the next decade.

Perhaps more significant are rapid changes in technology, which are transforming traditional relationships between developed and developing countries. Traditional aid concerns, including development, will be only a sub-set of the following broader interests: developing countries' potential for weakening the international financial system; the need to capture more of the rapidly growing developing country market for our exports; instability and potential conflict which directly affects U.S. interests; and developing country problems of drugs, disease, crime, and migration.

A new development agency is required to provide a diverse range of responses to these problems and enhance inter-agency coordination. Special bilateral programs must be developed for the least developed countries; development-oriented science and technology programs for middle income and newly industrialized countries; and other resources devoted specifically to export promotion. Security programs would be indispensable in this scheme. The new structure would require less direct bureaucratic control over some of these programs.

No U.S. Government bureaucracy would review and approve the new development agency's individual programs. Rather these programs would be evaluated regularly to see if broad objectives and targets are being met (the USIA's university linkage program and the NSF and NAS models are instructive). The State Department would act as coordinator of developing world policy and the role of Under Secretary for Economic Affairs as the principal coordinator on economic issues would be restored.

13. Middendorf, J. William

1988 "International Economic Development," Chapter 28 (pp. 665-684) in *Mandate for Leadership III*, Heritage Foundation: Washington, D.C. (20 pp) (CDIE-OP-20-07)



This article, written under the auspices of the Heritage Center for International Economic Growth, summarizes the functions of the U.S. Agency for International Development, discusses the institutional constraints under which U.S. development assistance has operated and reviews the record of development assistance under the Reagan administration. The report goes on to outline proposed changes in U.S. development assistance, with an emphasis on spurring growth by enhancing economic freedom. The report urges the new President to:

- Rewrite the Foreign Assistance Act.
- Devise an Index of Economic Freedom.
- Require A.I.D. officials to report on the degree of economic freedom in Third World Countries.
- Train A.I.D. staff in free market economics.
- Abolish the Private Enterprise Bureau of A.I.D. and integrate its development approach into the entire A.I.D. structure.
- Abolish the Overseas Private Investment Corporation (OPIC) or transfer it to the Commerce Department.
- Enforce tighter standards on private voluntary organizations.
- Invite the Republic of China on Taiwan and other countries that are launching their own foreign aid programs to join a U.S.-sponsored Foundation for Economic Growth.
- Require the World Bank, IMF, and other international lending institutions to make public their loan agreements and internal evaluations.

14. Morss, Elliott R. and Morss, Victoria  
1986 The Future of Western Development Assistance. Forthcoming from Westview Press: Boulder, Colorado. (manuscript, 43 pp) (CDIE-OP-20-09)

This book suggests a "rational" strategy for allocating development assistance based on an equation derived both from the income level of the donor and the needs of the recipient. The authors begin by reviewing how the motives and perceptions of donors and recipients have changed since the Marshall Plan years. This involves changes in "the underlying assumptions of the aid game." Donors initially felt that if developing country attitudes and institutions could be reconstructed to reflect those of the West, development would occur. However, experience has proven this assumption to be erroneous.

Morss and Morss review the evolution of developing countries and the relation among per capita income changes,

changing ODA allocations, and shifting donor approaches. The authors show that the economic progress of developing countries has been remarkable, but after surveying the changing development strategies during three eras (1950-1972, 1973-1980, and 1981 to the present) the authors conclude that there is no causal link between a country's development progress and the amount of aid it received or the strategies of its donors. The authors are particularly critical of 1970's grassroots and basic needs approaches, which placed little emphasis on creating sustainable institutions or promoting sound economic policies. The authors also criticize the way development assistance has been allocated without any generally accepted criteria of recipient need.

Morss and Morss suggest a more "rational model" for determining how donors should give aid and how aid should be used by recipients. They recommend that donor contributions be based on donor GNP adjusted for balance of payments circumstances and that recipient allocations be reduced as per capita incomes increase and in relation to other economic criteria.

The authors then consider how future global events and trends could influence the strategies that aid donors and recipients should follow. (This section of the manuscript is in outline form only)

15. Obey, David R. and Carol Lancaster  
1988 "Funding Foreign Aid," Foreign Policy, pp 141-155. (15 pp)  
(CDIE-OP-20-11)

This report discusses the problems in devising a new foreign aid program that defends U.S. interests and promotes long-term development abroad, and that can win the support of U.S. citizens, within the context of the need to cut the federal budget deficit. Obey and Lancaster make several suggestions on where the foreign assistance budget can be reduced and how aid could be better focused to increase its effectiveness in light of pressing global problems.

The authors suggest that the new administration reverse the current emphasis on military and security-related assistance, and instead focus on economic aid. They argue that U.S. leadership in economic aid, unlike military aid, prompts other developed countries to expend funds for global problems. To increase the effectiveness of U.S. aid, the authors recommend that the new administration delete aid programs that are merely entitlements for favored recipients, and take a critical look at how well aid is used in countries hosting U.S. military bases and in the Middle East. They also recommend eliminating programs in countries where U.S. interests are insignificant, where the local government deters development, or where the size of U.S. aid is too small to have an appreciable impact.

Obey and Lancaster believe that foreign aid in the 1990's must be consistent with other U.S. international economic policies and specifically adjusted to the reality of severe international debt levels. The positive effects of aid are dwarfed by the burden by the burden of debt repayment, and future U.S. aid must certainly

address this issue. At the same time, the ultimate goal of development assistance should be to improve the conditions and prospects for the poor. While reforms to restructure economies need to be supported, it is essential that ways be sought to avoid worsening the economic plight of the poor in the context of these efforts. The U.S. should provide strong leadership in ameliorating the negative impact of reform programs on the poor based on our extensive field experience through in country missions and in grassroots development. U.S. foreign assistance should also provide leadership in aggressively addressing pressing international issues such as AIDS and the environmental effects of proposed economic development programs.

Obey and Lancaster recommend that the administration designate one individual or institution with the authority and responsibility to speak and negotiate with Congress on foreign aid issues on behalf of all the agencies that currently manage such programs. This would provide the administration with an authoritative voice and contribute to a more cooperatively developed aid program with Congress. The authors conclude that unless the U.S. begins to meet these foreign aid challenges, American leadership in the world will continue to deteriorate.

#### 16. Phoenix Group

1989 "Reforms Needed in U.S. Assistance to Developing Countries"  
The International Trade and Development Education  
Foundation. (35 pp) (CDIE-OP-20-12)

Foreign aid, properly designed and implemented, is in the U.S. interest, but U.S. aid programs fail to achieve what they should because of a confusion of goals, insufficient attention to implementation and operational details, and excessive red tape. Emphasis and rewards are too much on process, too little on results, and limited aid funds are spread over too many activities instead of being concentrated on those which the U.S. performs best. Congressional handling of aid legislation is also in disarray and public support is lacking. Reforms in aid programs and structure must recognize the changes that have occurred in the world since the present foreign aid law was enacted in 1961.

This report suggests a number of principles that should be followed in designing and executing aid programs. It argues that such programs should: (1) be conceived and judged according to the U.S. national interest; (2) emphasize results, not process; (3) concentrate on a few activities; (4) provide assistance on a grant basis; (5) focus on areas in which the U.S. performs best (e.g., technical assistance, environmental protection, food aid, training and education, and private enterprise); and (6) direct aid to problem-solving in areas of greatest importance for the economic growth of recipient countries. Key problem areas include debt, trade, food security, national resources management and the environment, energy, health and human welfare, population, information and training, and private enterprise development.

Aid programs also need to be reorganized: military assistance should be the responsibility of the Defense

Department, with State Department policy guidance; the State Department should be responsible for economic assistance provided for foreign policy (i.e., "political") purposes; a Cabinet-level White House Council should be established to provide top-level leadership and coordination; a new bilateral assistance agency should be established (A.I.D.'s successor) emphasizing Third World problems in which the U.S. has the best expertise; the structure of overseas aid missions should be revamped to allow greater organizational flexibility, including binational development teams in many countries; a greater role should be supported for nongovernmental organizations; and closer coordination will be required with other bilateral and multilateral donors. These changes will require discarding the Foreign Assistance Act of 1961 and enacting a new law. Congressional leaders also should consider enacting "no-year" appropriations for foreign aid, passing two-year appropriation bills, and linking authorization and appropriations bills to provide clearer directions and accountability in foreign assistance legislation.

17. Schuster, Carol and Jess Ford  
1988 "Bringing Accountability to Foreign Aid," The GAO Journal.  
Number 2, Summer: 31-37. (7 pp) (PC-AAA-109)

This article argues that until more effective program controls are imposed, foreign assistance resources will continue to be vulnerable to misuse and diversion. The authors raise questions about potential past abuses of development assistance funds in such countries as the Philippines and Haiti. The authors note that a series of GAO inquiries has shown a strong reluctance on the part of A.I.D. to impose effective accountability requirements on recipients. While A.I.D. administrators have taken some actions to improve accountability, these continue to be small-scale, peripheral efforts that do not get to the heart of the matter. Neither the foreign policy establishment in general, nor A.I.D. in particular, has made accountability a guiding principle in administering foreign assistance programs.

Obstacles to effective accountability include the foreign environment, limits on A.I.D.'s resources, the "policy takes priority" argument, and the sovereignty of recipients. Efforts to improve foreign aid accountability have included improved program controls and strengthening foreign financial management capabilities, but further improvements are possible. The authors argue that "achieving more effective program accountability will strengthen rather than weaken the ability of aid officials to pursue their policy goals." While congressional prodding, press accounts of misuse, and reports by the GAO and A.I.D.'s Inspector General have spurred improvements, the real impetus must come from the foreign policy establishment and foreign aid administrators themselves, who must place a higher priority on implementing controls and realize that effective accountability requirements are compatible with overall American foreign policy interests.

18. Sewell, John W. and Christine E. Conte  
1987 "Foreign Aid and Gramm-Rudman," Foreign Affairs, Summer

1987: 1014-1036. (23 pp) (CDIE-OP-20-13)

Sewell and Conte note that the current foreign aid program is dominated by military and short-term security concerns, focused heavily on the Middle East and Central America. The authors argue that this represents a misallocation of scarce resources which the U.S. can no longer afford, and which does not serve the economic, political, and humanitarian interests of the U.S. in developing countries. They argue that economic issues are now more important to U.S. developing country interests than issues of military security, and that foreign assistance should reflect those interests. Given the fact that many Third World economies have been devastated by mounting debt, falling commodity prices, and sluggish global trade flows, they can no longer serve as purchasers of U.S. exports, and one of the costs of this Third World recession has been a significant loss of American jobs.

The authors argue that given the persistence of budgetary pressures facing U.S. assistance, foreign aid programs must critically examine the effectiveness of current programs and goals, and refocus existing resources on serious international economic problems. Policy makers must consider: (1) how program priorities can be redefined to recognize the changed role of the developing countries in the world's political economy; (2) how resources can be reallocated from security to economic programs; and (3) how available resources can be used more effectively to meet U.S. interests. The authors make a series of recommendations for reallocating and selectively cutting back.

Sewell and Conte argue that A.I.D. is no longer the lead agency for U.S. development policy, and that it should now be incorporated into a new agency which more carefully targets development programs to address poverty in low-income countries and in selected middle-income countries. Recent polls suggest that Americans would be willing to support these objectives. Financing infrastructure, constructing institutions, and conducting policy dialogue would be left to the World Bank. The new U.S. agency would act as a public foundation handling relations with multilateral donors both in Washington and in the field and acting as a link to other public and private programs with potential to assist in Third World Development.

The authors see the current U.S. budget crisis as an opportunity and a catalyst for a major overhaul of the U.S. aid program. The new program should concentrate on global growth, thus contributing to expanded exports and stepped-up investment; and on the alleviating poverty and promoting social equity. Sewell and Conte conclude that this is a program that would contribute to genuine economic development and humanitarian objectives, which American citizens would support.

19. Smuckler, Ralph H. and Robert J. Berg with David F. Gordon  
1988 "New Challenges New Opportunities: U.S. Cooperation for  
International Growth and Development in the 1990s." Center

for Advanced Study of International Development; Michigan State University, East Lansing, Michigan. (41 pp) (PN-ABB-413)

Recognizing that progress in the LDCs is increasingly important to the U.S., this report recommends three cardinal foreign assistance goals: broadly based growth, an effective attack on poverty, and an end to the destruction of the environment. U.S. security, political and economic interests, as well as humanitarian values, can best be achieved by shifting from the old idea of aid to the new idea of mutual gain through cooperation, with the developing countries as partners. Four priority areas are identified: enhancing physical well-being through improved health systems and population planning; working for sustainable agricultural systems, particularly emphasizing food supplies and forestry; developing environmental programs and policies that protect natural resources and, by emphasizing renewable supplies and conservation, ensure better energy security; and fostering sound urban development policies. While the first two priorities represent older themes, the latter two are newer. The report also highlights three urgent problems: Third World debt, Africa, and global deterioration of the environment.

These priorities can be addressed by developing human resources, particularly at advanced levels, in order to improve managerial capabilities; using science and technology, especially to further local capacities and develop joint research programs; fostering policy and institutional development; and mobilizing diverse energies for development, with special emphasis on the private sector, non-governmental organizations, women in development, and human rights.

The new role of U.S. cooperation for development is beyond the capabilities of any one U.S. agency. The report calls for changes in A.I.D., including a structure and name that reflects "the new theme and style of mutual gain through cooperation." The new agency should have an expanded analytical capacity and play an active role in guiding U.S. agencies toward a new relationship with developing countries.

The report urges that the new Administration: establish a White House-level council to coordinate U.S. agencies' policies and actions on development; create a semi-autonomous foundation to strengthen research and the use of science and technology for development; consider reducing the size and number of overseas missions; and increase involvement of intermediaries and binational boards in assistance activities abroad. Progress should be accompanied by an increase in official development assistance, and short-term political and military aid should be separated from development funds so that cooperation for sustainable development can build its own constituencies.

20. U.S. General Accounting Office  
1988 "Foreign Aid: Problems and Issues Affecting Economic Assistance." October 1988 GAO Report; Washington, D.C. (15 pp) (PC-AAA-110)

This GAO report addresses three broad categories of issues related to A.I.D.'s foreign assistance activities: (1) re-examining A.I.D.'s role in critical policy areas, (2) improving A.I.D. management and administration, and (3) strengthening accountability and control over assistance. The report argues that while each of the more than 30 separate directives contained in the Foreign Assistance Act of 1961 has its merits, their multiplicity creates confusion as to the direction Congress believes the foreign assistance program should take. The current act contributes to a lack of consensus between the Congress and the executive branch on the priorities of programs and reduces the possibility of holding A.I.D. accountable for achieving any particular objective.

The GAO recommends that Congress and the Administration revise the foreign assistance legislative framework to clarify the policies and priorities A.I.D. should be addressing in the 1990s. Critical issues that should be addressed include A.I.D.'s role in dealing with problems of international debt, narcotics control, environmental degradation, and Acquired Immune Deficiency Syndrome.

The GAO report also examines various organizational problems that diminish A.I.D.'s effectiveness and credibility, including: (1) management weaknesses; (2) frequent failures of recipient governments to provide counterpart funding for project assistance; (3) inefficient use of program funds; (4) low sustainability of completed projects; and (5) inadequate accounting, monitoring, and reporting of ESF program funds and of local currencies generated from Commodity Import and Public Law 480 programs. Several recommendations are presented for Congress, the Administration, and A.I.D. to begin addressing these problems.

21. Weihe, Ted  
"Congressional Strategies for Development Cooperation Initiatives," U.S. Overseas Cooperative Development Committee. (23 pp) (CDIE-OP-20-17)

This paper calls for a partnership between the Administration and Congress and the many outside interest groups in order to design a shift in development cooperation. It then reviews the process through which Congress affects U.S. development strategy, including the budget, authorization, appropriations, and foreign assistance initiatives, to inform the reader how change can be integrated into the system. It discusses several possible changes, including a rewrite of the foreign assistance act, new initiatives such as the landmark "new directions" legislation, and internal changes, such as reorganizing the bureaucracy and bringing in new people. No specific conclusions are drawn, except that a consensus must be reached among development experts, congressional and administrative leaders, and supporting organizations that reform is essential. Once this consensus is achieved, appropriate Congressional strategies will emerge.

22. Woods, Alan  
1989 Development and the National Interest: U.S. Economic

Assistance into the 21st Century. A report by the Administrator, Agency for International Development; Washington, D.C. (121 pp; plus statistical annexes) (PN-ABB-542)

This report maintains that successful development, first and foremost, means successful economic growth. Anything less fosters dependence instead of development. Wealth, to be distributed, must be produced; if poverty is to be reduced, wealth must be increased. In short, economic growth is the only way out of long-term poverty. This requires evolving "an entirely new way of thinking." Strategic to this new way is recognizing the value of growth-oriented policies. Development was largely accomplished internally in Britain, Western Europe, the U.S., and Japan. Development has continued in these areas because of domestic institutions that, by rewarding individual enterprise, promote economic growth, competition, and trade. While outside agencies can assist the LDCs, "most of the work must be done by the governments and people of the countries themselves." The report calls for a radical reshaping of development assistance programs to complement the contribution to development being made by the U.S. private sector, overseas investment, the U.S. education system, private voluntary organizations, and, "most of all, the growth-oriented example and wealth-generating dynamism of the American economy itself."

Chapter 1 discusses the U.S. Government's role in LDC development. Chapter 2 examines the relationship between economic growth and social progress in the developing countries. Chapter 3 considers the crucial element of economic growth and draws comparison between failed and successful policies. Chapter 4 describes the contributions of American voluntary, charitable, religious, and educational organizations. Chapter 5 examines the development role played by profit-based American enterprises and trade. Chapter 6 outlines development prospects in the decades ahead. Chapter 7 reviews the Report's findings and poses seven questions about the future of development and the role the U.S. should play. These questions are: How do we define success? What are our strategic interests? What are our humanitarian interests? What are our economic interests? How can we reconcile sovereignty and assistance? How relevant is foreign assistance to development? How can we better match U.S. assistance to our national interest?

### 23. Misc.

1989 File of News Clippings, Wire Stories, and Press Releases (through 3/9/89) regarding Development and the National Interest, By Alan Woods. (45 pp) (CDIE-OP-20-08)

A collection of news clippings, wire reports, and press releases on the Woods Report ("Development and the National Interest") and related foreign assistance topics, including:

"Fragile Recovery Found in Sub-Saharan Africa," by Clyde H. Farnsworth (NEW YORK TIMES, 3/9/89)



"Candor in Report from AID," by Paul Craig Roberts  
(Commentary: WASHINGTON TIMES, 3/8/89)

"Foreign-Aid Failure" (Review & Outlook: THE WALL STREET  
JOURNAL, 3/2/89)

"The Woods Report: Why the U.S. Needs New Foreign Aid  
Goals," by Edward L. Hudgins (Executive Memorandum, THE  
HERITAGE FOUNDATION, 3/1/89)

"U.S. Forces Wrong Medicine Down Latin American Throats,"  
by Manuel F. Ayau (The Americas: THE WALL STREET JOURNAL,  
2/24/89)

"Report Urges Drastic Reform to US Foreign Aid Program"  
(THE JOURNAL OF COMMERCE, 2/22/89)

"AID Report Calls for Reshaping Program," by George Gedda  
(ASSOCIATED PRESS WIRE, 2/22/89)

"U.S. Foreign Aid Agency Calls for Reforms," by Karen Riley  
(THE WASHINGTON TIMES, 2/21/89)

"Foreign Aid Largely a Failure, U.S. Report Says," by David  
B. Ottaway (THE WASHINGTON POST, 2/21/89)

"Report Sees Need to Reshape Foreign Aid" (A.I.D. Press  
Release, 2/21/89)

"Study Grades Investment Climates of 42 Less Developed Count  
ries" (THE JOURNAL OF COMMERCE, 2/17/89)

"Remarks of A.I.D. Administrator Alan Woods to the  
Conference on International Development" (2/20/89)

"Remarks of A.I.D. Administrator Alan Woods, Center for  
International Private Enterprise, Washington, D.C."  
(2/15/89)

## SECTION II

### DEVELOPMENT ISSUES AND TRENDS

24. Agency for International Development  
1988 Memos Prepared for World Bank/IMF Annual Meeting in Berlin  
(9/88) and Related Meeting Documents. (52 pp) (PN-ABB-840)

The primary memo, from AA/PPC, Richard Bissell to the  
Regional Bureau AA's (4 pgs) summarized "Developments at the  
World Bank/IMF Annual Meeting in Berlin in September 1988. As  
expected, the meeting proved low key, with little controversy  
and no major new proposals -- an easy introduction for the new

U.S. Treasury Secretary Nicholas Brady. The major focus was on debt issues, with support reaffirmed -- at least for the time being -- for the Baker Plan. There was also continued discussion of the Bank's desire to increase its emphasis on poverty alleviation, the need for more attention to environmental impact issues, and the upcoming IDA IX negotiations.

Other related papers included:

9/22/88, PPC/MFI Planning Memo on "Key Issues and Events at the World Bank Annual Meeting in Berlin" (6 pgs.)

9/26/88 "Communique of the Interim Committee of the Board of Governors of the International Monetary Fund" (6 pgs.)

9/27/88, "Statement by the Hon. Nicholas F. Brady, Secretary of the Treasury and Governor of the Fund and Bank for the United States, at the Joint Annual Discussion" (5 pgs.)

9/27/88, "Statement by the Hon. Satoshi Sumita, Governor, the Bank of Japan, and Alternate Governor of the Fund and Bank for Japan, at the Joint Annual Discussion" (8 pgs.)

9/27/88, "Address by Barber B. Conable to the Board of Governors of the World Bank Group" (10 pgs.)

9/27/88, "Address by M. Camdessus, Chairman of the Executive Board and Managing Director of the International Monetary Fund, to the Board of Governors of the Fund" (13 pgs.)

25. Bowles, W. Donald

1988 "The Preconditions of Market-Led Development and Their Implications for A.I.D. Programming." Manuscript prepared for the Center for Development Information and Evaluation, U.S. Agency for International Development. (24 pp)  
(PN-ABB-845)

This paper examines the conditions associated with the Industrial Revolution in Great Britain, focusing primarily on the pre-industrialization period from the end of the 16th century into the second half of the 18th century. The paper asks how this period of history can help us understand the development needs and potentials of the contemporary Third World and the usefulness of development assistance. The paper concludes that the market-based Industrial Revolution was a Western phenomenon, rooted in centuries of Western culture, and peculiar to Western Europe. While centralized state development planning is becoming increasingly discredited as a development approach, it would be just as much a mistake to urge Western market models on developing countries today as it was to encourage state planning 30 years ago. Both approaches flow from economic, social, political, cultural, and ideological conditions in the West that have evolved over the centuries. This suggests that the major role of outside donors is to help the LDCs find their own ways toward development by expediting creation of market institutions

while mitigating the negative impact of structural and institutional change on the poor.

The analysis has several implications for A.I.D.: (1) The long view must govern programming. Research and experience must guide funding for the institutional underpinnings of market-led, private enterprise development. Foreign economic assistance must adopt planning horizons of decades, not of a few years. (2) Absolute poverty requires priority attention. (3) Costs of institutional innovation must be reduced. (4) Substitutes must be created for missing preconditions of development. (5) LDC's role for government must be supported. (7) Ways need to be found to stimulate the culture of science. (8) Special attention is required for international economic relations. (9) Social and cultural integration will be keys to nation building and economic development.

The goals of growth and structural change must be balanced against the necessity for social, cultural, and political change. Development entails both economic growth and the development of new institutions, and A.I.D.'s role must touch both. A.I.D. should give greater weight to empirical studies of what works in empirical findings. This may reduce the need for overarching A.I.D. "policy statements," and require the Agency to do what knowledge indicates is necessary rather than what "beliefs suggest is appropriate."

26. Brown, Lester  
1989 State of the World 1989. W.W. Norton & Company, London and New York. (194 pp plus tables, figures, notes, & index)

This book represents the sixth annual State of the World report prepared by Worldwatch Institute. It is divided into chapters that provide research updates on the state of land degradation, world food prospects, soil contamination, and deterioration of the ozone layer. It also includes chapters on transportation systems and their impact on the environment; the impact of AIDS (particularly in Third World countries); global security issues; and grassroots mobilization for addressing the above issues.

The opening chapter, "A World at Risk," sets the tone. It presents evidence of rapidly increasing worldwide environmental stress and deterioration; of growing worldwide concern over these processes; and of the need for global cooperation to address major environmental problems. The book calls for greater international scientific and political cooperation and for stronger international institutions to facilitate this cooperation. Many of the most serious problems cross national boundaries, and few can be solved by any one country.

The final chapter, "Outlining a Global Action Plan," presents an action agenda for four areas which the Worldwatch Institute believes are most critical. These include: (1) developing energy strategies that have climate protection as their cornerstone; (2) expanding the earth's forest cover to meet basic economic and

environmental needs in the Third World while slowing global warming; (3) redoubling efforts to meet food needs in light of an ominous trend of declining per capita grain production; and (4) breaking the tremendous momentum of population growth that is undermining living standards in large parts of the world.

The book proposes various changes in investment allocations, research programs, and policies to support these actions, and calls for broad-based public education to increase public awareness and expand support for reversing the acceleration of global deterioration.

27. Feinberg, Richard E.

1988 "The Changing Relationship between the World Bank and the International Monetary Fund," International Organization 42(3), Summer 1988: pp.545-560. (16 pp) (CDIE-OP-20-02)

This article analyzes the historical division of labor between the World Bank and the International Monetary Fund and the recent blurring of their roles in structural adjustment lending. It recommends ways to more clearly define the two institutions' responsibilities and assure increased financial flows for member countries.

Historically, the International Monetary Fund was responsible for short-term stabilization focusing on monetary variables and demand management, while the World Bank analyzed economic conditions from a longer perspective emphasizing supply side efficiency and productive investments. The Fund, in other words, focused on immediate balance-of-payments support for macroeconomic reform, while the Bank concentrated on discrete, long term, production-oriented projects.

However, in responding to the multiple economic shocks of the last 15 years, the Bank and the Fund have gradually adopted "reforms" which, while enhancing their ability to respond to developing country needs, have also blurred their institutional responsibilities. Today, both the Bank and the Fund are intimately involved in mid-term structural adjustment lending (through the Bank's Structural Adjustment Loans and the Fund's Structural Adjustment Facility) addressing issues of both supply and demand management. Both institutions seek to achieve similar policy objectives through the use of similar policy instruments (such as exchange rate reforms). And loans from both institutions are closely tied through mechanisms of consultative cross-conditionality interdependent cross-conditionality, and other, indirect, financial linkages.

While the Bank and Fund have generally avoided formal "cross-conditionality," at least in the sense of formal veto's, the two institutions' responsibilities need to be more clearly delineated. More specifically: (1) Bank and Fund staff should develop consistent analytical models and approaches; (2) the Fund should restrict its stand-by arrangements to key macro-economic issues; (3) Bank and Fund loan conditionality should focus on a few select variables; (4) automatic, contractual linkages

between Bank and Fund lending should be discouraged; (5) The and Fund should maintain separate decisions on ineligibility; and (6) Bank project funding should not be tied automatically to Fund programs or credit worthiness evaluations.

The article concluded that resource transfers to many developing countries will have to increase substantially and that this will require continued close cooperation among the Bank, the Fund, other official donors, and private financial sources.

28. Grant, James

1988 "Putting Crises to Work for People: Challenges of Global Development in the Years Ahead." Address to the United Nations Association of Sweden Symposium on "United Nations Development Work in the 1990's," Stockholm, June 30, 1988. (12 pp, plus annex) (CDIE-OP-20-04)

This speech describes two challenges facing all nations concerned about development: (1) whether we have the political will and sophistication to react to multiple global crises by making the hard choices necessary to exploit new development opportunities and (2) whether we can devise practical plans to take advantage of the new will to overcome poverty and restore development momentum on a sustainable basis. Grant proposes a "global restructuring in the context of growth" which would reorder the trade imbalances between the United States and Japan/Western Europe and more actively involve developing countries both as importers and exporters. In this increasingly interdependent world, economic progress in the North depends upon the restoring development progress in the South. In addition, the USSR recognizes that it must undergo massive change and must participate with the West in the required global restructuring. Grant calls, ultimately, for a new global economic order -- an "NGEO."

Given the political will, the means to establish an NGEO will require reforming the current donor system. Grant proposes a much stronger focus on meeting the basic needs of Third World people by developing human resources and expanding social programs, such as maternal and child health. To develop more adequate human resources, LDC's will have to "modify their structure to meet human needs while adapting to the new circumstance inherent in economic adjustment" -- protecting their most vulnerable human resources while increasing their productivity. Human welfare will be enhanced by applying all the breakthroughs recently discussed at a meeting in Talloires, France, convened by the international Force on Child Survival. (These breakthroughs are discussed in the Declaration of Talloires, attached to Grant's speech.)

29. Hood, Ron, Judith McGuire, and Martha Starr

1988 "The Socioeconomic Impact of Macroeconomic Adjustment," Report prepared for AID/PPC/PDPR/RP by the Center for Development Technology, International Science and Technology Institute. (151 pp) (PN-AAZ-319)

This paper analyzes the socioeconomic impact of macro-economic adjustment programs based on (1) examination of the linkages

between adjustment measures and specific groups' living standards, (2) review of empirical studies on how incomes, employment and consumption evolved during adjustment, and (3) case studies of Sri Lanka, Morocco, Costa Rica and Cote d'Ivoire.

The study draws two broad conclusions: (1) It is possible to get a relatively clear picture before-hand of what groups are likely to need assistance during transition. The key to predicting where problems may arise is in understanding the economic linkages which connect policy changes to levels of well-being for potentially affected groups. Every effort should be made on the basis of country-specific information to construct the profile of these groups so that aid efforts can be efficient. (2) Care must be taken in designing assistance programs to ensure that they do not frustrate the objectives of the adjustment program itself by introducing new distortions or creating unsustainable recurrent cost obligations.

Sharp reductions in external capital inflows have sometimes been necessary to "shock" countries into making necessary adjustments. However, the need for steady support and continued flows of foreign exchange to keep the adjustment process on track is very clear. Rescheduling, debt relief, or concessional aid can be important for sustaining orderly adjustment.

Deficit reduction must mean more than just expenditure cutting. It must also involve expenditure restructuring to maximize the impact of available fiscal resources. Technical assistance in this area can be very important, especially when the public service has very few trained people and faces long lists of IMF and World Bank restructuring conditions.

Close cooperation with the recipient country and other donors is necessary in designing effective programs. Targeting and administration of food programs are much more effective, for example, if they exploit existing local networks rather than relying on new and largely external resources.

Aid programs that enhance the supply responsiveness of the country to changed incentives are valuable. These include: (1) training programs geared to the needs of new industries, (2) financing and capital rebuilding for industries in new growth areas established by adjustment policies, and (3) refurbishment of infrastructure necessary to sustain growth (an area that often suffers during budgetary restraint).

30. Sewell, John W., Stuart K. Tucker, and Contributors  
1988 Growth, Exports, & Jobs in a Changing World Economy:  
Agenda 1988. Overseas Development Council; Transaction  
Books: New Brunswick, N.J. (194 pp plus annexes)

Restoring the U.S.'s international economic strength is inextricably interwoven with the progress of developing countries. The main focus of this "Agenda" is the relationship between economic and social progress in the developing countries and the prospects of the U.S. for increasing exports, creating

jobs, and servicing its foreign debt in the decade ahead. The first part of the overview chapter focuses on "the dual challenge: managing the economic crisis and technological change." Policymakers concerned with exports, jobs, and debt must take into account the constraints imposed on the U.S. by the economic policies of the last decade, the growing importance of the developing countries to the U.S. economy, and the need of both the U.S. and the developing countries to avoid a global downturn.

The urgency of dealing with these immediate macroeconomic issues should not obscure the fact that both developed and developing countries are on the threshold of a series of changes in industrial technology and organization akin to a Third Industrial Revolution. These changes are based on discoveries in microelectronics, bioengineering, and advanced materials that are leading to fundamental in relations between the U.S. and the developing countries. These technologies, with appropriate policies, could enable the U.S. to greatly strengthen its international economic position. Only a few developing countries will be able to capitalize on these scientific and technological developments. Indeed, unless these technologies are properly understood and anticipated by policymakers, they will place many developing countries at an even greater disadvantage than today -- an outcome that would be in neither the economic nor political interests of the U.S. The remainder of the overview analyzes how this technological revolution is likely to change U.S. relations with the developing countries in the 1990s. A final section sets out specific policy recommendations for both the near and longer term.

The remainder of the book consists of contributed chapters on: "High-Technology Choices Ahead: Restructuring Interdependence;" "The Service Industries: Growth, Trade, and Development Prospects;" "U.S. Agriculture and the Developing World: Opportunities for Joint Gains;" "The Changing Demand for Industrial Raw Materials;" and "Jobs: The Shifting Structure of Global Employment."

31. Stover, John

1987 "Social, Economic and Political Trends in the Developing World: The Context for U.S. Development in the 1990's."  
The Futures Group. (Draft: 41 pg.) (CDIE-OP-20-14)

This paper describes major social, economic, and political trends expected to shape development contexts in the 1990's, including:

**Demography:** Continuing high rates of population growth, particularly in Sub-Saharan Africa, and continuing large increases in population numbers, particularly in Asia. The major challenges are shifting to Africa, where many population programs are just beginning.

**Labor Force and Economy:** Most developing countries will experience labor force growth rates above 2.5. percent per year and in many the labor force will grow 3-4 percent each year or more. With economic growth lagging and underemployment currently as high as 20 to 40 percent, there will be an enormous job creation challenge.

**Health:** Life expectancy has increased dramatically in most

developing countries and infant mortality has declined sharply, but the emergence of AIDS could dramatically alter health and demographic trends, particularly in Africa. This could become the overwhelming development problem of the 1990's.

Urbanization: Urban growth rates continue to be very high, with urban populations in Africa and the Middle East expected to grow 30 to 50 percent during the 1990's. The growth of very large "megacities" is a particular concern; 17 developing world cities are expected to have more than 10 million people by the year 2000.

Agriculture: Per capita agricultural production grew slowly during the 1970's and 1980's -- about .2 to .5 percent per year. While per capita food production in India increased 10 percent, food production declined 8 percent in Sub-Saharan Africa. Much of the past increase has resulted from increased land under cultivation, but suitable land is no longer easily available.

Education: Rates of primary education have increased dramatically during the past three decades. Future emphasis will be on improving the quality of basic education, increasing access to secondary and vocational training, and providing better links to new job opportunities.

Politics and Government: A continuing influence of Moslem thought on countries with large Moslem populations; a continued struggle for nation building in Africa; the emergence of new leaders to replace long-term, but aging leaders; and continued political turmoil in many countries.

Wild Cards: Other potentially important forces include: biotechnology, microcomputers, space communications, robotics, superconductivity, privatization, and millennialism.

32. Tammen, Melanie S.

1988 "World Bank Snookers U.S. Congress, Again," The Heritage Foundation Backgrounder, No. 649. (13 pp) (CDIE-OP-20-15)

This article concludes that Congressional requirements that the U.S. vote against proposed World Bank loans that harm U.S. economic, political, or ethical interests have yielded nothing. Every U.S.-opposed loan since 1977 has been approved by the World Bank, annually sending hundreds of millions of dollars in scarce resources to governments that abuse human rights, export terrorism, and pursue accelerated production of commodities already in world over-supply. In addition, billions of dollars in U.S.-supported World Bank loans annually flood the treasuries of developing countries either to finance or bail out countless state-run enterprises that private capital for good reason would not touch. The author reports that "the World Bank is coming hat-in-hand to Congress for \$14 billion in new cash and guarantees to expand further its questionable activities. The only real leverage U.S. lawmakers seem to have over the Bank is to deny such new resources. In light of past congressional impotence to influence Bank policy, a denial of new funds seems to be the



only way for Congress to reassert its authority."

33. White, Louise G.

1989 "Implementing Policy Reforms: Policies and Opportunities for Donors," forthcoming in *World Development*. (23 pp)  
(PN-ABB-905)

This study explores the dynamics of implementing structural reforms based on an examination of the experience in sub-Saharan Africa during the 1980's. The author notes that there is a tendency to begin an analysis of implementation by focusing on a government's capacity. However, it is necessary to first be clear about the characteristics of policy reforms, for these characteristics are as important in determining whether reforms are carried out as is the way in which reforms are managed or organized. Reforms are complex and uncertain, they impose significant political costs, their values are generally incompatible with the prevailing political philosophy, they involve changed roles, they alter power relations within the government, and they are identified with outsiders. As such, many reforms are "unimplementable."

The study describes three different strategies towards implementation of reforms which predominate in recent donor activities -- privatization, training, and enhanced control by central ministries. However, the author notes that donors underestimate the extent to which the reforms undermine traditional practices, and thus reform efforts based on these implementation approaches are often subverted.

A fourth strategy is recommended to address these challenges, which relies on designing reforms in collaboration with host country officials. This strategy assumes that it is possible to develop a better and more "implementable" set of policies by coordinating with those who will be in charge of implementing them. Collaborative planning would increase the chance for considering opportunities for anticipating problems and providing "quid pro quos" for groups who are apt to be hurt by reforms. Furthermore, this strategy assumes that if other parties do get involved, they are more apt to support the reforms and marshal broader support.

34. World Bank.

1988 *World Development Report 1988 (Opportunities and Risks in Managing the World Economy -- Public Finance in Development -- World Development Indicators.)* World Bank:  
Washington, D.C., 1988. (210 pp plus World Development Indicators and technical notes)

This Report, eleventh in the annual series, reviews recent trends in the world economy and their implications for the future prospects of developing countries. Part II examines the specific role of public finance in development. The Report also includes the World Development Indicators of selected social and economic conditions for over 100 countries.

Although world economic growth continued through 1987 and into 1988, two problems have characterized the recent trends: unsustainable economic imbalances within and among industrial countries and highly uneven economic growth among developing countries. Part I concludes that: industrial countries need to reduce their payments imbalances; developing countries need to persevere in restructuring their domestic economic policies in order to regain creditworthiness; and net resource transfers from the developing countries must be trimmed so that investment and growth can resume. For the poorest countries, especially those in Sub-Saharan Africa, concessional debt relief and increased aid are necessary to facilitate resumed growth.

Part II reports that the rapid expansion of the public sector in recent decades and the emergence of fiscal crises in most developing countries during the 1980s have made public finance the focus of the development and adjustment challenge. Most of the developing countries that were able to avoid economic crises in the 1980s maintained moderate and stable fiscal deficits, but the costs of revenue mobilization can and must be reduced in the interest of more efficient resource allocation and growth. In general, greater reliance on user charges will lead to a more efficient and equitable allocation of resources. In countries where fiscal deficits are excessive, public spending will have to be cut. The efficiency of public services and the scope for raising revenue can often be strengthened by decentralizing decisionmaking to local governments and to state-owned enterprises.

The Report concludes that, above all, poverty remains the ultimate challenge of development policy. Stable fiscal policy is essential to sustain economic growth and thus to relieve poverty in the long run. Public spending, if properly designed, provides the poor with access to basic services, helps protect them from the social costs of adjustment, and buttresses the development of human resources. (Adapted from Foreword by Barber B. Conable)

35. Zimmerman, Robert F.

1988 "A Root Cause of Underdevelopment: The Political Context and Its Implications for the Future of Foreign Assistance." Paper presented at the 1988 annual meetings of the American Political Science Association. (26 pp) (PC-AAA-113)

To effectively solve current global crises and successfully design a new approach for foreign assistance, we must change the nature and scope of the North-South dialogue. "It is essential that the developing countries of Asia, Africa and Latin America and the developed countries talk to each other with candor, as colleagues rather than adversaries. Demands, ideological rhetoric, and scapegoat distortions of reality will not address the root causes of underdevelopment, however we define those causes."

The paper argues that these "root causes of underdevelopment" are political in nature, and have never been addressed by the donor community. The political factors which determine the

effectiveness of all economic and social interventions are well known by practiced development professionals, although rarely taken into rigorous consideration. They include acute rivalries between powerful groups, ministries, key organizations, and ethnic subgroupings which undermine developing country unity in dealing with foreign donors and create conflicts between personal gain and social good in all programs.

Development is defined as the "realization of the potential of a society regardless of any limits currently set by the goals or fundamental structure of the society." Such development will never be achieved until there is a drastic restructuring of political systems and processes within most developing countries. This will include more active participation; better integration of people into the national polity; higher quality education unfettered by intervention and control from police, military or other government institutions; opportunities for creative political change through parties, interest groups, labor organizations, and lobbying; personal security so that individuals can improve and expand their knowledge, talents, and skills without coercion and direction; and a legal system that effectively enforces respect for rights and the fair production of property and wealth independent from government control or coercion.

The paper argues that the typical development strategies will not work without this political context and that this has critical implications for donor strategies. Donors must recognize that their strategies will and even should cause upheavals which may engender strife and conflict on the path toward a higher good. This realization shatters the kid glove approach fostered by the State Department in which aid is offered to governments friendly toward the United States, even though those governments may rest on political principles eschewed by the majority of Westerners.

### SECTION III

#### SECTOR SPECIFIC STUDIES

##### A. AGRICULTURE

36. Agency for International Development  
1989 "A Rural Economic Growth Strategy for Asia and the Near East in the 1990's." AID/ANE/TR/ARD. (Draft: 50 pp)  
(PN-ABB-841)

Although ANE's country programs have shifted over time, its agricultural strategy has remained focused primarily on constraints to increased food supply. The appropriateness of this focus is now being questioned given the structural changes occurring in the region and the array of problems these changes pose for continued economic growth. This review complements the assessment of foreign assistance legislation currently underway in Congress, and provides an input into a number of other evaluations initiated by A.I.D., BIFAD, and Michigan State University. The review also responds to concerns

voiced by ANE's Agricultural and Rural Development Officers (ARDO's) at their 1987 conference regarding changing trends in policy, technology, the social and political environment, and the human capital and institutional base. The ARDO's called for development of a new, responsive strategy that would allow for country-specific differences. The draft strategy draws heavily on the deliberations of the joint AND-HIID Strategy Symposium held in September 1988.

Chapter II explores the extent of structural change over the last two decades and how individual countries or groups of countries have been affected in the process. It proposes a three-stage typology for analyzing agricultural sector conditions and trends and appropriate interventions. The three stages are: (1) low-income agricultural economies (Bangladesh, Burma, and Nepal); (2) low-income transitional economies (Egypt, India, Indonesia, Morocco, Pakistan, Philippine, Sri Lanka, and Yemen); and (3) middle-income industrializing economies (Jordan, Oman, Thailand, and Tunisia).

Chapter III examines A.I.D.'s current strategy, explores areas in which A.I.D. may have a comparative advantage, and presents a set of principles and parameters for a new strategy. Six broad strategic emphases are identified: agricultural production technology, agro-processing development, trade and market development, agriculture and infrastructure planning and management, human capital and institutional development, and natural resource management. In varying degrees, these themes can be incorporated into developmental programming for each stage in the typology and provide organizing principles for country agricultural programs.

Chapter IV delineates the components of the strategy and variations in emphasis for each stage of the typology. Chapter V explores some implications of the new strategy for Bureau and Agency implementation modalities, personnel, and organizational structure.

37. Agency for International Development  
1988 "Agricultural Strategy Symposium Reporting Cable, 9/24/88"  
AID/ANE/TR/ARD. (16 pp) (PN-ABB-842)

As a result of discussions at the ANE Agriculture and Rural Development Officers Conference of 1987, ANE/TR sought and received senior bureau management support for a reevaluation of the agricultural development strategy currently being implemented in the region. With the close cooperation of the Harvard Institute for International Development (HIID), ANE/TR/ARD sponsored a three day Symposium on Agriculture in the 1990s -- Strategic Choices for Asia/Near East Countries, September 7-9, 1988. The symposium's objective was to discuss trends underlying Asian and Near Eastern agricultural development, to identify future development program options, and to generate "propositions" to guide formulation of agricultural and rural development strategy and development assistance programming for countries in the ANE region.

The Symposium was structured around five principal topics

considered vital to continued, sustainable agricultural growth, income, and employment in the region: international trade, pricing and stabilization policy, technical change, irrigation and water policy, and natural resource management. The Symposium also addressed selected crosscutting themes: facilitating private sector involvement in agricultural development, factoring gender into economic development, and sustaining institutions as vehicles of change.

The cable requests Mission review of the Symposium report as an additional input into the first draft of a strategy to be prepared by ANE/TR in consultation with HIID (see A.I.D., 1989).

38. Harvard Institute for International Development  
1988 "Agriculture in the 1990s: Strategic Choices for Asia/Near East Countries," Proceedings of September 1988 A.I.D. Symposium. (24 pp) (PN-ABB-848)

This Symposium resulted from the A.I.D./ANE Bureau's Agriculture and Rural Development Officers (ARDOs) Conference of 1987. A principal recommendation of the conference was that ANE/TR/ARD take the lead in developing a region strategy adapted to the recently-adopted Focus Statement on Agricultural and Rural Development (increased income, increased access to food, and maintenance and enhancement of the natural resource base). ARDOs requested that the strategy address these three issues but allow for country and Mission-specific articulation of these issues in light of country diversity.

ANE/TR/ARD contracted with the Harvard Institute of International Development (HIID) to coordinate preparation of a set of subsectoral analyses and organize a symposium to debate the associated issues. Twelve commissioned papers addressed issues of pricing, inputs, agricultural productivity, employment and income distribution, consumption and nutritional intake, irrigation, institutional sustainability, diversification, trade, and natural resource management.

The document provides the abstracts of papers and summaries of breakout group discussions on a range of themes affecting choice of strategy for development initiatives in ANE countries in the 1990s. Paper titles are: Agriculture and Structural Change: Policy Implications of Diversification in Asia and the Near East; Agricultural Prices and Stabilization Policy; The Role of Agriculture in Employment Generation and Income Distribution in Asia and the Near East; Agriculture and Fertilizer Policy; Employment and Income Growth in Asia: Some Strategic Issues; The Impact of Economic Policy and Structure on Patterns of Food Demand in Asia and the Near East; Agricultural Research and Technology in the 1990s in Asia and the Near East: Trends and Possible Strategies for Aid; Irrigation in Asia and the Near East in the 1990s: Problems and Prospects; The Role of Irrigation in the Agricultural Development of Asia; Institutional Sustainability and Rural Development: Issues for Asia and the Near East in the 1990s; Agriculture and Rural Development in Asia and the Near East: A.I.D. Programs and Strategies; Trade

and Development: The Complementarity of Agricultural Trade; and Human Capital and Agricultural Productivity Change.

Breakout groups focused on the following topics: pricing and stabilization policy, international trade, natural resource management, irrigation, and technical change. Also, a number of cross-cutting themes were considered -- the need for enhanced rural infrastructure; the need for sophisticated analysis of resource allocation issues at the micro and macro levels; and the high pay-off on investments in human resources. A summary of the proceedings was subsequently cabled to ANE Missions and a draft strategy statement was prepared.

### 39. NASULGC

1988 U.S. Bilateral Development Assistance - The 1990s and Beyond. (8 pp) (CDIE-OP-20-10)

Based on U.S. experience with bilateral development assistance, four lessons stand out: (1) Agriculture is the dominant economic sector in most developing countries. (2) The agricultural sector may serve as a unique catalyst to general economic growth. (3) Certain necessary conditions must be made to exist if sustained agricultural development is to occur. (4) It is in helping to create such conditions that the U.S. has its greatest comparative advantage. Increased resource productivity in agriculture and farm income depend upon the development and adoption of improved technologies. "These have the capacity to increase materially returns to labor, land, capital and management invested in farming. From this will come increased, less costly and more secure food supplies. Capital accumulation for investment in agriculture and the rest of the economy, increased demand for off-farm production and consumption items as stimuli to growth in non-agricultural sectors and competitive export commodities to generate foreign exchange will follow." "Fueled by the development by the development of agriculture, the process of income generation and demand expansion provides an environment conducive to the growth of indigenous entrepreneurship, savings and investment, strengthening of the private sector, and the creation of a climate favorable for expansion of export markets for products of U.S. farms and factories."

Development of a productive agricultural sector requires a "small group of public institutions" for research on productivity increasing technologies, extension to transfer these technologies to farmers, and education to train agriculturalists. Also, public sector capacity is needed to conduct policy analyses that can provide policy decisionmakers with needed information. The need for these institutions becomes even more important in the context of the increasing global concern for agricultural sustainability.

The most important potential for expansion in demand for the products of U.S. farms and factories rests in the 80-90 percent of the world's population who live in poverty in the LDCs. Economic growth in the LDCs will be accompanied by a "massive expansion of demand for imports" that could be provided by the U.S. "A strong, adequately funded and sustained U.S.

bilateral development assistance program can contribute significantly to the attainment of this end." The paper calls for new legislation to specify that the U.S. will place first priority in its development assistance program on the modernization of agriculture in the LDCs. The report outlines proposed changes in A.I.D.'s structure and programming, its relationships with U.S. land grant universities, and its support of International Agricultural Research Centers.

40. Office of Technology Assessment (OTA)  
1988 Enhancing Agriculture in Africa: A Role for U.S. Development Assistance -- Summary. Report #OTA-F-357; Office of Technology Assessment: Washington, D.C. (30 pp) (PN-ABA-987)

This report summarizes OTA's study of low-resource agriculture (LRA) in Africa. LRA, agriculture based on the use of local resources but that may make modest use of external inputs including information and technology, is the predominant form of agriculture and the major source of food production, employment, and rural income in Sub-Saharan Africa. While LRA has been the basis for Africa's food security in the past, it can no longer meet the region's increasing needs. Africa has the world's most rapidly growing population -- 2.9 percent per year in 1988. Intensified land use is evident in most regions in reduced fallow periods and, in some areas, falling yields and natural resource degradation. During the next few decades, African agriculture will need to double production to keep pace with a growing population and provide household income to purchase additional food. The vast majority of the continent's farmers will have to move toward a more intensified, permanent agriculture where more inputs (including information and management) are used.

A number of biophysical and socioeconomic constraints retard progress, but there is considerable potential to improve LRA substantially through an "evolution of existing agricultural systems." Technological innovation is needed, but there is also an important role for U.S. development assistance in pursuing a resource-enhancing approach that increases: (1) Africa's capability to assume primary responsibility for developing sustainable agricultural production; (2) African farmers' capability to manage risk; (3) use of local resources, natural and social, including local participation (i.e., involvement of African women and local organizations); and (4) understanding of farming systems and links between farms and external systems (markets, extension systems, and transportation networks).

While a "resource-enhancing approach alone will not be sufficient for agricultural development", it could be carried out in conjunction with other development assistance such as increasing non-farm employment and improving rural people's health and education. The report cautions that a "diverse array of technologies adapted to local social, economic, and environmental conditions is needed." A.I.D. is the U.S. agency that should be responsible for implementing a resource-enhancing approach to development assistance in Africa. This requires substantial changes in priorities, operations, and

general philosophical approach. A.I.D. has made changes that could help the agency enhance LRA (more decentralized decisionmaking, increased attention to research, longer term support for projects, and increased emphasis on sustainability), but the impact of these changes may be offset by deep personnel cuts; a lack of appropriate technical personnel; inadequate language and cultural skills; a flawed reward system; and a project design system that is cumbersome, inflexible, and oriented to achieving short-term results.

## B. SOCIAL SERVICES

41. Advisory Committee on Voluntary Foreign Aid (ACVFA).  
1988 "The Effectiveness of Private Voluntary Organizations."  
September 1988 Report to the A.I.D. (36 pp) (PN-ABB-020)

This report reviews the institutional effectiveness of PVOs, in the light of four major concerns:

**Sustainability:** PVOs need to ensure ongoing attention to sustainability by learning how to think and act in a longer time frame; by developing clear mission and program foci; by developing greater knowledge of market, macro- and policy factors; and by developing a better understanding of the critical importance of local organizational capacity. PVO's must define a new relationship with A.I.D. that encourages longer-term PVO impact; they must devote more resources to understanding factors of sustainability; and (with A.I.D. support) they must enhance their capacity to build local organizational viability.

**Management Effectiveness:** Effectively managed PVOs are competent in administration and finance, program design and evaluation, and strategic management as well as in networking. Because PVOs are value-based, there is a need to develop a capacity to manage by "value and vision." A balance between the need for strategic planning and strengthening local organizations requires improved management. A.I.D. should provide financial support for continued improvement of PVOs capacity to manage.

**Cost Effectiveness:** Measures of cost effectiveness are complex, more art than science, but should be used as a management tool to help PVOs learn to think strategically. The process of measuring costs and benefits should not, however, necessarily be equated with cost reductions; requires a sufficiently long time period; and must be adapted to PVO goals. A.I.D. should continue to support cost effectiveness analysis, should help PVOs design their own measures in lieu of an across-the-board formula, and should treat program experimentation as a research (not an operating) cost.

**Policy Change:** PVOs need to be aware of linkages and constraints imposed by local, regional and national policy. To be effective agents of change, they will need greater



expertise and should move consciously and deliberately into the policy arena. PVOs most effective role in policy dialogue is in collaboration with local organizations. A.I.D. should be neutral on a PVO's decision to influence policy, given the mixed capability and desire of PVOs to work in this area. A.I.D. should support PVO capacity building in the policy arena where this is desired. A.I.D. should encourage PVOs to work with local organizations in enhancing their ability to influence policy.

42. Agency for International Development  
1988 "Urbanization in the Developing Countries." (The Administrator's Interim Report to Congress). Washington, D.C. (32 pp, summary, & 3 annexes) (PN-ABB-425)

Urbanization in the developing countries has accelerated significantly in the past two decades. The resulting socio economic conditions are considerably different from what they were 15 years ago when Congress last made substantial changes in the Foreign Assistance Act. Now, the developing countries are much more urbanized; many national economies are transforming from agriculture to manufacturing, commerce and services; and megacities are growing ever larger and more numerous.

The trend is towards continually increasing urban growth rates which will lead to increases in the number of young workers in the labor force, the number of households living in absolute poverty, and the number of megacities. This trend over the next 35 years will result in part from inappropriate national economic and social policies rather than from urbanization itself. Some major, overlapping problems which will accompany rapid urbanization are: the inability of cities to absorb rural labor; weak rural-urban economic and physical linkages; inability to finance and manage services and infrastructure efficiently; increasing strains on urban infrastructure; declining standards of low and middle income urban families; and deteriorating environmental conditions and strains on energy resources.

Positive economic consequences of rapid urbanization include an opportunity for cities to support more small- and medium-sized enterprises by providing services, infrastructure and utilizes the role of cities as centers of innovation for new agricultural techniques and promoters of greater agricultural production, marketing and export; and the role of cities in providing services and education for lowering fertility rates.

Rapid urbanization is creating a strategic opportunity for A.I.D. and others to enhance the capacity of cities to contribute to national economic growth by improving their efficiency as national and regional production centers. Present agency programs having direct implications include urban development projects under the Housing Guaranty Program; economic development projects; and social service programs.

A.I.D.'s current program is not designed to cope effectively with the full range of development problems associated with rapid

urbanization. Further recommendations are reserved for the final which will review Agency urban development policy and the extent of its application, assess the need for remedial instructions to missions, consider new data collection procedures for monitoring rural-urban program proportions; and suggest new approaches for linking sector and urban program activities.

#### 43. Agency for International Development

1988 "Urbanization in the LDCs: The Challenges and Opportunities in the 1990s and Beyond." Prepared by the A.I.D. Office of Housing for the Administrator's November Report Task Force. (text 6 pp.; tables 9 pp.) (PN-ABB-843)

Urbanization in developing countries is seen as a "massive and irreversible phenomenon" which demands LDC and donor attention. In USAID-eligible countries alone the growth of urban populations by 2025 will be over 200 percent--from 743 million people today to 2.4 billion. The burden will fall on the least urbanized and lowest-income countries, where urban poverty will worsen.

As cities' existing deficits in jobs, shelter, and infrastructure grow, associated problems of health and environment will also grow. These problems will tax generally weak and inefficient abilities of both central and local governments to manage and finance needed improvements. To maintain current conditions through the end of this century, urban management capacity must increase by 65 percent.

At the same time, urban centers provide opportunities for national growth and development, given their contribution of over 50 percent to the developing countries' GDP.

An urban policy response should include the following guidelines: urbanization must be viewed as a major "engine" for economic and social development; the framework for urban strategies should be the entire range of human settlements from the largest city to market towns and villages; urbanization should be financed not by massive subsidies but by the wealth created in urban places; coping with urbanization must be a joint effort of the public and private sectors; and urban policy and practices must reflect LDC trends, not western models.

Broad areas of intervention for A.I.D. are, first, the urban economy, jobs, and productivity and, second, shelter, land, and infrastructure. For the first, support should be given to micro- and small-scale enterprise in the informal sector. For the second, support is required in shelter, land policy, and infrastructure reform, especially in relation to demand and affordability criteria. Specific areas calling for assistance are urban management, finance, and planning, including such matters as financial management of recurrent and capital costs.

A.I.D.'s strengths lie in assisting in technology and management transfer for urban applications; in institutional development; and in limited capital transfer for influencing

policy reform.

44. Gillespie, D.G., D.G. Cross, J.G. Crowley & S.R. Radloff  
1988 "Financing the Delivery of Contraceptives: The Challenge  
of the Next Twenty Years," October 1988 Report to  
A.I.D./S&T/POP. (17 pp plus annexes) (PN-ABB-847)

This paper reports on changes in contraceptive demand and supply, and the prospects for financing future demand, which is projected to increase dramatically over the next 20 years. There has been a revolutionary shift in contraceptive behaviour over the past 20 years with an increased use of family planning services and an expansion of organized family planning programs. This increase in the use of contraceptives and of family planning services is estimated to continue, yet in many developing countries there is still a considerable unmet demand.

The issue of whether the supply of family planning services will increase to meet the expected increase in demand over the next 20 years is examined. The authors assume that the adequacy of supply will be conditioned by such factors as the availability of new, low-cost contraceptive technologies; the management efficiency of future family planning programs; the resources allocated to family planning by donors and developing country governments; and the levels of education and income of the populations in developing countries.

The authors' analysis indicates that as socioeconomic conditions in developing countries improve, family planning users will shift away from temporary and non-supply methods (i.e., rhythm) to longer-term methods; that the number of users will grow from 129.4 million to 556.3 million by 2010; and that costs for contraceptives, and particularly the service delivery of contraceptives, will escalate dramatically. These costs are increasing at a time when donor funding has actually been declining in constant dollar terms.

These findings pose a considerable challenge for donors in responding effectively to future resource requirements to meet projected family planning demands. To make resources go further, A.I.D. is supporting the following approaches: (1) stimulating new sources of investment in family planning; (2) concentrating on activities that multiply investments, such as policy reforms that increase the availability and decrease the cost of family planning services; (3) improving the management of family planning programs; and (4) improving contraceptive technology and associated delivery services.

45. McMahon, Walter W.  
n.d. "Education and Industrialization" (57 pp) (No information  
as to the source of this paper.) (CDIE-OP-20-06)

This paper surveys current knowledge on the relation of education to per capita economic growth, income distribution, and industrialization. The analysis finds a highly significant, 25 percent contribution by education to growth. This is

increased another 20 percent or so in developing countries when one takes into account the effects on per capita growth of reduced population growth, education of women, and the absorption of otherwise illiterate underemployed into industry.

An analysis of investment strategies finds that nations investing heavily only in physical capital, or in human capital alone, do less well. The eight countries with the fastest sustained per capita growth invest heavily in both, and also exhibit far less income inequality than the slow-growing nations. Rate of return evidence suggests that investment in primary and lower secondary education contributes the most; that narrow, severely tracked vocational schools are less cost effective; and that modern advanced technology transfer through education can be effective but with longer time lags.

46. Roth, Gabriel  
1987 *The Private Provision of Public Services in Developing Countries*. The World Bank: Washington, D.C. & Oxford University Press. (270pp.)

This book seeks to broaden the options available to developing country officials through examples of the private provision of services that are generally regarded as being more (or only) suitable for provision by public agencies.

A major question is whether economic development could be accelerated by moving to the private sector those responsibilities that could be handled more efficiently there. Such an arrangement would allow hard-pressed administrative systems to concentrate on activities that they are best equipped to provide. Even in situations where government administrators could provide better services than the private sector, it may still be beneficial to transfer activities to the private sector if such action would enable the administrators to concentrate more fruitfully on activities that only government can provide.

In choosing between public and private provision, economists have conventionally analyzed the choice on the basis of the potential "market failure." More recently, the added possibility of "government failure" has been raised. The choice between public and private thus becomes one not of choosing between alternative hypothetical ideal cases, but rather between alternative institutional arrangements as they would actually work in practice.

Examples cited show that many of the obstacles to the private involvement in public services are social and political, rather than technical and financial. On the basis of the data, one must conclude that the obstacles to the development of public services by the private sector are due to institutional weaknesses and governmental policies that make such involvement too risky or unprofitable. An extreme example: if two years are needed to complete the formalities for registering a business in Peru, is it any wonder that enterprises go overseas or underground? A major obstacle to the involvement of the private sector in the provision of public services is the notion

that services have to be priced at the same rate for different people even when circumstances differ widely. An example is provided from Cote d'Ivoire where water has to be supplied at the same price everywhere (on the grounds of "equity"), even though it is much cheaper to provide water in the capital, Abidjan, than in rural areas.

International lending agencies should: improve services that only governments can provide; assist governments in utilizing their private sectors; move some operations to the private sector; guarantee loans made by the private sector; and avoid discrimination against the private sector.

#### 47. State Department

1989 "International Activities of the United States Government Against the International HIV Pandemic: A Three-Year Action Plan" (27 pgs. and annexes) (PD-AAY-959)

This paper summarizes current international efforts by federal departments and agencies against the HIV pandemic and presents a strategy and plan for the period FY 1989-1991.

The HIV pandemic continues to grow rapidly. The nearly 125,000 cases of AIDS currently reported in 142 countries represent only a fraction of HIV infection and are subject to substantial under-reporting, particularly in the infrastructure-poor developing world.

The extent of HIV infection and the potential for further spread presents a major public policy challenge in many developing countries. Moreover, the implications for the economic and political stability of these countries, their internal security, and regional security, make the control of HIV infection an important foreign policy issue for the United States.

Modes of HIV transmission and the current level of technology dictate that control of the spread of infection will largely depend on changes in sexual behavior. Because of the exceptional public and private sensitivity of human sexuality in all societies, programs to control the spread of infection demand extraordinary social, cultural, and political specificity. This requires that policy leadership in the worldwide effort be given to an organization such as the World Health Organization (WHO). At present, there is no vaccine to protect against infection, no treatment to prevent those already infected from infecting others, and no cure. Programs must therefore focus principally on eliciting voluntary changes in behavior through information and education.

During the next three years all countries with which the U.S. is working are expected to have:

- Implemented public information campaigns;
- Implemented targeted educational programs aimed at reducing high-risk behavior;

- Implemented blood transfusion screening programs;
- Placed new, rapid and simple HIV diagnostics into common use:
- Developed vaccine field trial sites;
- Completed and validated models of economic and demographic impact.

48. Van Reenen, Gert-Jan and Bob Waisfisz  
1988 "Final Report on Institutional Development," Institutional Development Advisory Services (IDEAS): The Hague. (70 pp plus annexes) (CDIE-OP-20-16)

This report reviews definitions of and approaches to institutional development (ID), factors negatively and positively influencing ID, and lessons learned by donors providing ID; specific recommendations are also provided.

The most salient finding was that the longer employees of donor agencies had worked in the field of ID, the more skeptical they were about the willingness of their agencies to implement ID policies. ID will only be pursued if proper incentives are in place. These incentives are influenced by the bureaucratic system in which the donor agency is embedded, by the values and wishes of constituents, and by the objectives of interest groups and politicians. While "many donor agencies behave as if they can recreate reality in developing countries," at the same time "proposed changes in their own agencies are often rejected or defused."

Factors negatively influencing efforts to incorporate ID in assistance programs include: project officer workloads; government budgetary procedures; the need to appease constituents with short-term tangible results; an organization culture characterized by bureaucratic procedures; competition among donors; and high turnover of project officers and experts. Factors positively influencing ID include: growing awareness among recipients and donors about the importance of ID for sustainability; the development of a body of know-how on ID within recipient countries; dissemination and training on ID; translation of effective ID interventions into development assistance policies; and design and implementation of assistance efforts around ID objectives.

Effective design and implementation of ID objectives requires that donors provide strong leadership, make long-term commitments, encourage recipient participation, flexibly alter programs if design assumptions become invalid, emphasize simplicity (to avoid overburdening recipient institutions), duly consider cultural differences; develop effective incentive systems, and gain sufficient know-how in the ID field. However, most donors lack sufficient ID know-how. Because management techniques, motivation, leadership, and organizations are partly culture specific, the expertise of Westerners in business administration, management and organization, and change is not

always relevant. And indigenous knowledge on effective managerial and organizational practices in LDCs is limited.

### C. TECHNOLOGY TRANSFER

#### 49. Board on Science & Technology for Int'l. Development (BOSTID)

1988 "Science and Technology for Development: Prospects Entering the Twenty-First Century," Paper prepared for June 1987 A.I.D. Symposium (79 pp) (PN-ABB-529)

Twenty-five years ago most development experts believed that the technology needed by developing countries was available and waiting for appropriate application. They also believed that the primary responsibility of the United States was simply to transfer technological products and methods to developing countries. However, three decades of experience has shown that the transfer of available technology is a necessary, but insufficient condition for development. Progress in most sectors has required continuous advances in science and technology, with successes increasingly achieved by generating specific technologies needed to overcome Third World problems. This has meant growth in indigenous scientific capacities, national and regional institutions using the newly acquired skills of developing country scientists, and scientific networks sharing research findings.

The report's first part, "The Past 25 Years," describes more fully the vast contributions that the social sciences, agricultural sciences, health sciences, and population programs have made to development over the last three decades. The second half, "Entering the Twenty-first Century," examines advances in specific technologies and asks how these advances might benefit the Third World. The technologies discussed are: biotechnology, biological diversity, information sciences and communications technology, space science and remote sensing, materials science and technology, and manufacturing technology. These technologies seem certain to have major impacts in both industrialized and Third World countries, although the development-related aspects of some are not yet clear.

An Appendix provides a list of the symposium speakers and presentations.

#### 50. World Bank

1988 "Technology and Long Term Economic Growth Prospects," Papers prepared for November 1988 World Bank Seminar (5 papers: 45 pp, 23 pp, 24 pp, 26 pp, & 40 pp) (CDIE-OP-20-18)

This seminar included a number of papers discussing the implications of technology for economic growth. The papers primarily discuss the role of technological change in the economic development of the United States, European countries, and Japan, but several papers examine the potentials of

technology adapted to resource constraints of the developing world. Several papers consider the potential threat of new technology to LDCs, while others discuss options such as "blending" and "leapfrogging."

Dahlman's paper, for example, specifically discusses the elements for the successful exploitation of technology in developing economies, and reviews the key role of human capital, institutions, and networks. Fajnzylber examines the case of technological change in Latin American countries. Duncan provides a discussion of the potential for increased demand by developing countries for raw materials. Perez discusses a number of topics, including changing technological opportunities and strategies for development, new principles for competitiveness, and institutional frameworks for competitive restructuring.

Papers available for review include:

Nathan Rosenberg, "Technology and Growth Experiences: Some Lessons for the Developing Countries."

Carl J. Dahlman, "Impact of Technological Change on Industrial Prospects for the LDC's."

Fernando Fajnzylber, "Technical Change and Economic Development: Issues for a Research Agenda."

Ronald C. Duncan, "The Impact of Technological Change on Primary Commodity Exports from Developing Countries."

Carlota Perez, "The Institutional Implications of the Present Wave of Technical Change for Developing Countries."

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